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SUBJECT: INFORMATION ON TURKISH FOUNDRY PRODUCTS

Ref: Secstate 157426

1. Reftel requested information on the Turkish foundry industry, specifically metal castings gray iron, ductile iron, all other iron, steel, aluminum and copper. Unfortunately, neither the GOT nor the relevant industry association could provide this information. An iron and steel sector expert in Foreign Trade Undersecretariat (FTU) told us that the USITC request was also made through the Turkish Embassy in Washington, and that FTU had carried out a sector-wide research for information from industry representatives. Our source said that due to highly segmented nature of the industry, detailed information was unavailable. In addition, FTU told us that it was more difficult to obtain process-oriented data, as requested reftel, than information on actual metal products. We will continue to seek further information on the foundry industry. In the interim, Embassy is providing general statistics on Turkey's iron/steel industry below.

Turkish Iron and Steel Industry

2. Turkey's crude steel production increased to 18,299 thousand tons in 2003 from 14.3 million tons in 1999, showing a significant increase in 2002 (16.5 million tons) and also in 2003 due to increased domestic demand. FTU officially reports excess production capacity of 5.5 million tons in long-steel products supporting exports. ERDEMIR, ISDEMIR and KARDEMIR and 16 smaller companies are the major producers and 28,000 workers are employed in the iron and steel industry.

3. According to the FTU, iron and steel foundry products are mainly used in the machinery, white household goods and automotive industries. About 30,731 businesses currently operate in the sector, employing 130,000 workers. Today, there are 1,163 companies producing foundry products, and of which 128 are exporting companies. According to the Turkish Foundry Industrialist Association (TFIA) data, a total of 876,600 tons of foundry products are produced in 2002, employing 17,944 workers.

4. Pipes: According to a State Planning Organization (SPO) sector report, Turkey produced 1.4 million tons of iron and steel pipes in 2002. There are 25 producers in the sector, including MKEK, CELBOR and ERDEMIR. Exports in the iron and steel pipe sector reached USD 377 million in 2003.

5. Cost structure: In an FTU analysis of cast iron production, the cost structure is broken down as follows: 40 percent raw material, 30 percent labor and 20 percent energy. In steel group products, 35 percent of cost is from raw materials, 35 percent from labor and 25 percent from energy. According to the FTU and TFIA, shortages and higher prices in global raw material market in 2003 also had a negative impact on Turkish industry.

Turkey's Trade in Iron and Steel/Foundry products

6. Turkey exports about 65 percent of its crude steel production every year. In 2003, crude steel exports amounted to about 12.3 million tons. Turkey's raw iron and steel, and steel-based commodity exports reached USD 4.3 billion in 2003, increasing 29 percent from 2002 exports.

Turkey's Iron/Steel Exports (USD million) - Category, 2001, 2002, 2003, Change (03/02 pct), Main market (pct share)

Cast iron	11	0.6	0.7	17	Italy (49)
Scrap	16	19	35	84	Spain (41)

Block	390	510	728	43	China (18)
Flat	366	343	384	12	China (24)
Long	1,219	1,136	1,650	45	UAE (19)
Special. Steel	51	67	94	40	Romania (45)
Pipes	424	551	377	-32	U.S.A. (17)
Construction	108	130	171	32	Iraq (7)
Radiators	50	81	140	73	U.K.(28)
Kitchen appl.	76	91	131	44	Germany (12)
Others	334	409	602	-	-
Total	3,045	3,338	4,312	29	UAE(9)*

(*)Turkey's main export markets for iron and steel products: UAE (9), Italy(7), U.S.A.(7), China (5), Spain (5), Israel (5).

Source: FTU

Turkey's Iron/Steel Imports (USD million): Category, 2001, 2002, 2003, Change (03/02 pct), Countries (pct share)

Cast iron	22	40	49	23	Russia (54)
Scrap	477	1,006	1,833	82	Russia (16)
Block	180	170	374	120	Russia (48)
Flat	692	1,031	1,537	49	Russia (18)
Long	90	130	194	49	Germany (22)
Special. Steel	239	347	519	50	Germany (22)
Pipes	445	231	317	37	Germany (44)
Construction	152	125	64	-49	Austria (26)
Radiators	7	5	5	0	Italy (44)
Kitchen appl.	11	13	18	38	China (35)
Others	326	458	601	-	-
Total	2,641	3,556	5,511	55	Russia(15)*

(*) Turkey's main import partners for iron and steel products: Russia (15), Ukraine (11), Germany (11), Romania (8), U.K.(6), Belgium (5).

Source: FTU

17. The Embassy is not aware of any industry-specific government incentives affecting the Turkish iron and steel industries.

Additional Sources of Information

18. Further (but somewhat limited) background on the Turkish iron and steel industry is available at: www.dcu.org.tr. USG economic reports on Turkish Government economic (including trade) policies - such as the Investment Climate Statement, Country Commercial Guide, and National Trade Estimate, can be accessed through Embassy Ankara's website: www.usemb-ankara.org.tr or through other USG agency websites.

19. Embassy's points of contact on these issues are Economic Officer Aldo Sirotic and Economic Specialist Defne Sadiklar. Both can be reached at telephone 90 312 455-5555, fax 468-6138 or email (siroticaj@state.gov, sadiklard@state.gov).

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